

Governor's Executive Message



Governor Joe Manchin III
State of West Virginia

It has been a difficult week in our state. Just seven short days ago, we lost 12 hard-working and brave West Virginians; men who left their homes each day knowing the inherent difficulty and danger of the jobs they performed and men who were proud to provide for their families, proud to be West Virginians and proud of the energy they produced to keep America strong.

We cannot know the purpose of this tragedy—but I assure you we will discover the cause. I am committing every resource available to me to aid in the investigation—not only to determine what happened inside the Sago Mine that caused this terrible accident, but also how the information received outside of the mine regarding the condition of the miners could have been so horribly wrong. Families should never be put through such a heartbreakingly emotional nightmare. Even more important, I rededicate myself and the State to the task of making our mines the safest in the country so that we can avoid future tragedies like the one we have just experienced.

Our prayers as a state are with the families of Thomas P. Anderson, Alva Martin Bennett, Jim Bennett, Jerry Groves, George Hamner Jr., Terry Helms, Jesse L. Jones, David Lewis, Martin Toler Jr., Fred Ware Jr., Jack Weaver, and Marshall Winans. Over the coming days, we will continue as West Virginians to do what we do best—come together in support of our neighbors. I want to thank the thousands of West Virginians who have donated goods, as well as their hard earned money, to these families over the last several days. The outpouring of generosity has simply been tremendous.

However, we also need to look beyond the families' immediate needs and make sure the assistance we provide doesn't end when the news media goes away. And so, my office is joining with the West Virginia Council of Churches to establish a "Lifeskills Account" for the immediate family members of the victims. To demonstrate the importance of this effort, my office will donate \$100,000 from the Governor's Contingency Fund to the account. These 12 men were working hard to provide a good living for their loved ones, and we must continue their efforts. The money donated to this account will provide for traditional educational opportunities plus any trade or technical field training that they may wish to obtain in order to expand their knowledge and gain the skills needed to support themselves and their families. We want them to know that we aren't just in this with them while it's fresh in everyone's mind; we're in this with them for the long haul.



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Many times during the rescue efforts you heard me say that West Virginians believe in miracles—and we do. While we didn't receive the 13 miracles we were praying for, we did receive one—Randal McCloy Jr. It is my hope that Randal survived so that he could one day tell us not only his story, but the story of his friends and coworkers. So, let us also remember his struggles and send him, Anna, their children, Randal III, and Isabelle Hope and their entire family, our prayers and love as well.

During our time of crisis, the nation has been watching. They have learned a great deal about West Virginia values and our belief in family, faith, and love of our neighbor. In addition, they've learned a great deal about mining families and their strength, work ethic, and sense of community—there are no better people on the face of this earth.

But as the nation continues to watch us, there is so much more they need to know. While the hearts of West Virginians are grieving, the State of West Virginia remains strong.

Productive Efforts

This past year has been one of the most important and productive in West Virginia history. Working together, we accomplished more to improve our economy and create good paying jobs with benefits than most people believed could be achieved in a decade.

- We enacted substantial ethics reforms;
- Passed Healthy Lifestyles legislation;
- Tackled methamphetamine usage;
- Continued to pay down our debt;
- Gave our universities increased flexibility to pursue new research that could spawn new discoveries; and
- Enacted the first comprehensive teacher pay package in over 15 years.

Our workers' compensation reforms restored confidence in our economy and, most especially, allowed us to do a better job of protecting our injured workers.

As a result of insurance reforms, over \$70 million has been returned to consumers in the form of reductions in car and homeowner insurance premiums, which is \$20 million more than was originally promised to individuals. Many lines of business insurance have been reopened as well, and insurance companies that were considering reducing their operations and potentially laying off workers in West Virginia are now looking instead towards expansion.

The Legislature, also approved a responsible one percent reduction in the state sales tax on groceries from six cents on the dollar to five cents resulting in a savings to taxpayers of \$25 million. This one percent reduction is simply a starting point, and as the state's economy grows we will continue to reduce this tax in a fiscally responsible manner until we have eliminated it completely.



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These changes show that West Virginia is serious about getting our financial house in order and opening our doors to new businesses.

I also want to thank the Legislature, and the citizens of West Virginia, for their efforts on behalf of our state's veterans. As a result of the vote of the people, the Legislature activated a constitutional amendment in 2005 to pay bonuses to those who served in the conflicts in Kosovo, Afghanistan and Iraq. We gratefully acknowledge the service of these veterans and, also, say a prayer for the current Mountaineers who are fighting for our country at home and abroad as I speak and for those families whose loved ones were lost this past year while performing their military duty.

Responsible Government

In addition to our efforts to work closely with the Legislature this past year on getting our State's financial house in order and taking care of the needs of our citizens, my administration also established an initiative we call "Responsible Government."

Examples of the results of this initiative, and the hard work and dedication of our State employees who are often given too little credit for all they do, include:

- Reducing, through attrition, approximately 171 full-time permanent positions in just the Department of Transportation alone, saving millions of dollars;
- Refinancing the State's road bonds for a savings of \$19 million (resulting in federal matching money of \$76 million for highway projects);
- Saving \$4.5 million by eliminating redundancies in the Division of Highways;
- Returning \$4.2 million from agencies' end-of-year funds to the State's General Revenue account;
- Renegotiating our technology contracts resulting in a savings to the State of \$24.8 million over the next four years;
- Increasing the State's School Clothing Vouchers from \$150 to \$200 directly benefiting more than 57,000 West Virginia children who needed help the most; and
- Capping the state's Gasoline Tax, saving drivers between \$40 and \$50 million this year at the pump.

We also focused our resources on the continued development of a multiagency radio system for use in emergencies and purchased a permanent transitional relief location for individuals and families displaced by floods and natural disasters. The next step of our flood preparedness efforts will be to begin working with counties on the enforcement of their flood plain laws so that the State will not be left to pay to rebuild the same structures again and again in areas that we already know are prone to repeat flooding.

In addition, our Bureau of Senior Services continues to work with the AARP and others to educate West Virginia's Medicare beneficiaries about the new Medicare Prescription Drug Coverage. In fact, it was the AARP Foundation and the West Virginia Primary Care Association that helped to fund the Bureau's Medicare



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Prescription Drug Plan Call Center, showing the good that can come from a partnership between government and the private sector.

These Responsible Government efforts, coupled with the hard work of the Legislature, resulted in more than \$450 million being returned to taxpayers in one year alone. To my knowledge, that's never before been done in West Virginia and should signal to businesses across the country and around the world an important and positive change in the way the State conducts business.

West Virginia's Future

The economy and job outlook of West Virginia is improving, as is the State's financial picture. Last fiscal year ended with the State having a significant surplus, and together we made responsible decisions to pay down the unfunded pension liabilities left to my administration and made other one-time investments that helped all West Virginia taxpayers. This fiscal year will also result in a significant budget surplus. However, as Thomas Jefferson once said, "Never spend money before you have it." While our immediate budget picture is certainly healthy, we must not fall into the trap of spending that short-term money unwisely, because our future budgetary outlook contains some major challenges.

Which is why, *for the very first time in West Virginia's history*, as part of my administration's budget proposal, I am providing the Legislature with a five-year forecast of our revenues and expenditures. Never before has this been done, but if, as I've pledged, we're going to run this State like a business, then this is a vitally important component of that effort. Our State's traditional short-sidedness has to end. We must ensure that the decisions we make today are right for tomorrow as well, and this five-year forecast gives us the tools we all need to do just that.

By working together, with an eye on the future, I am confident we can not only meet the challenges ahead, but overcome them. By making responsible decisions, including: increasing our Rainy Day Account (Revenue Shortfall Reserve Fund) to ten percent of the General Revenue Budget; decreasing our debt quickly; working to make government as efficient as possible; and, continuing to plan long-term, we can ensure that our working men and women, and their children and grandchildren will be provided that better job they now seek. It is imperative for the elected representatives to look beyond the next election and work together in bipartisan ways to do what is best for the next generation.

And so, it is with that in mind that my administration has developed our goals for the upcoming year.

While there are many issues that must, and will, be addressed in the next 60 days, there are two that I believe are paramount to West Virginia's immediate future.

Goal: Law Enforcement

Even though last year's passage of the Meth Bill was an important step in the right direction, we have much more to accomplish in the areas of drug and law enforcement. We must make sure that West Virginia is "closed" to illegal drugs and drug dealers. That is why I am announcing that I am committing an additional one million dollars this year to our State Police efforts to crack down hard on our state's drug trade. This money will be used for the equipment, manpower, and education necessary for our troopers to partner with local law



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enforcement and federal officials to bring a stop to this growing problem. Too many times in the past several months, we've turned on the news only to hear about the senseless death of one of our own as a result of drug-related violence. In addition, too many of our young have succumbed to the evils of these drugs. Well, enough is enough. It's going to stop. I'm putting these criminals on notice. Wherever you are and wherever you may be hiding illegal drugs, our troopers are coming—and *they will find you!*

In addition, working with the State Police, the Department of Corrections, and other law enforcement professionals, I have prepared and will introduce legislation that aims to stop convicted child molesters and other sex offenders from repeating their heinous crimes by keeping them behind bars, out of our communities, and away from our children. This new law will:

- Impose tough new sentences for child molesters and other sex offenders;
- Increase penalties for sex offenders that fail to register with the State; and
- Enhance law enforcement's ability to track these criminals once they've completed their sentences.

It's long past time we stop these offenders before they have a chance to prey again on the youth of our communities.

Goal: Healthcare

My second major legislative initiative revolves around healthcare. Every working person in West Virginia deserves access to basic, affordable healthcare, which is why I am so committed to keeping the good jobs with healthcare benefits that we already have in this state and looking for ways to create many, many more. While we are making progress in those efforts, we must not forget those West Virginians who work one and even two jobs, but still don't have needed healthcare benefits.

We have done a better job in our state of covering our children, our elderly, our less fortunate, and even our prisoners, but we have a long way to go for those adults who get up every day, go to work, and pay taxes to move this state forward, yet have no health coverage.

We have made some important strides over the past year with the initiation of two new programs—The West Virginia Small Business Plan and Access West Virginia. In June, the West Virginia Small Business Plan was introduced to provide small business owners and employees across our state with an affordable health coverage option. Then, in July, we introduced Access West Virginia—an innovated insurance solution for individuals who have faced chronic and often serious illnesses. But, it's still not sufficient.

A majority of West Virginians who are uninsured work full-time. They may work two or three part-time jobs and are simply not eligible for either company's insurance plan. Or, they may work for one of West Virginia's many small businesses that cannot yet afford to provide health insurance for its employees. These individuals cannot bear the cost of a high premium every month and need affordable alternatives that will meet their basic needs without breaking the bank. And they are not alone in their plight—the cost of healthcare to individuals and states has increased throughout our nation to the point that it is now negatively impacting citizens' ability to pay their every day bills and leading to the deterioration of their overall quality of life.



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And so, I am proposing two new public/private health initiatives to help these West Virginians get the healthcare they need while we continue our job creation efforts.

The first is a pilot project that will provide doctor visits, basic testing, and reduced prices on prescriptions at a very affordable price. The “Preventive Care Pilot Program” will set up sites around the state at primary care clinics or private doctors’ offices. Up to eight providers can participate, and have up to three sites each. The program will allow subscribers access to primary care services such as checkups, sick visits, x-rays, and lab tests at the participating clinic or office for one monthly fee. This is not insurance and does not cover specialists or hospital costs, but it does provide basic preventive care at a very low price—starting at some clinics as low as one dollar a day.

The second proposal is called the “Affordable Insurance Initiative”. This effort provides for affordable insurance plans for individuals who want, and can afford, more in-depth coverage than the clinic-based plan. While it is not the Cadillac of healthcare programs, it is a form of meaningful, and portable, insurance that will provide the crucial primary and preventive services individuals and families need to meet the majority of their healthcare concerns. Once approved by the Legislature, this plan will be offered by commercial insurance carriers starting at a cost of \$99 per month.

Both of these new healthcare initiatives are affordable, cost-effective, and require no state subsidies. Make no mistake—these are bold steps. They serve as an example of how government and the private sector can work together to provide basic health services to the vast majority of West Virginians without health coverage.

Put the Preventive Care and Affordable Insurance plans together, and I believe we will be taking important actions towards affecting the health and well-being of our state’s citizens and workforce for many years to come and setting a new standard for the rest of the country to follow. The sooner we can provide preventive care to our workers, the better off we all will be and the more lives we can potentially save.

As for our other healthcare related efforts in the coming year, we have not achieved results as quickly as we all would have liked when it comes to reducing the cost of prescription drugs. Therefore, as part of a comprehensive purchasing overhaul package, I will introduce legislation to allow state agencies to enter into multistate purchasing consortia, which could result in a savings of at least 20% on their pharmaceutical purchases—significantly reducing the cost of these needed medications for thousands of West Virginians.

And, as a follow up to an initiative that was started during last year’s State of the State address, we will form, through legislation, a statewide Health Information Network. With this network, West Virginia will become a national leader in the conversion to electronic health records—which, it is predicted, will result in an increase in healthcare quality and the type of cost savings that can significantly impact the state’s budget when completely implemented over the next several years. In addition, as part of this overall electronic medical records initiative, the State will also coordinate with HEALTHeWV, an electronic medical records program supported by Senator Robert C. Byrd and managed by the National Technology Transfer Center at Wheeling Jesuit University.

I am also committed to working with hospitals and providers on achieving some form of an integrated medical billing system in West Virginia. It makes no sense to me that when you have a medical procedure performed at a hospital or clinic they can’t tell you upfront what it’s going to cost and then aren’t able to give you a total bill when it’s completed. Now is the time for us to change this process.



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As for the state employee insurance system, PEIA, my administration is working with national experts on developing a plan to retool the entire program and make it more cost-efficient for both workers and taxpayers.

You have also heard me say many times recently that I want to build upon of the work that was done last year to address the spread of obesity, heart disease, and Type II diabetes in our state's children. If I could end all of these problems right now with a new law or directive, I would. But realistically, it's just not that simple. So, I plan to join forces with the Healthy Lifestyles Council that this Legislature created last year and, with the help of a newly received Benedum Foundation grant, reach out to as many schools, children, and parents as possible in an educational effort focused on giving them the information they need to make healthy choices. As has been proven time and time again, if we can impact the habits of our youth, adults will soon follow. And make no mistake, my administration will continue to be committed to keeping the five promises I made last year to all of our children:

- First promise: Every child should have a caring adult in their lives.
- Second promise: Every child should have a safe place.
- Third promise: Every child should have a healthy start (with skills they need to fight the growing epidemics of childhood obesity, Type II Diabetes, and heart disease).
- Fourth promise: Every child should have a marketable skill (by doing a much better job of educating our children about their career choices).
- Fifth promise: Every child should be taught to be a caring adult and be given an opportunity to serve their communities.

West Virginia: Open for Business

The best thing that we can do to improve the health and well-being of our citizens is to continue to improve our job climate.

To the many Americans across the country who may be watching us and to the companies around the world that may be looking for a place to expand, I want you to know that when given a chance, West Virginians work harder and produce better products than anyone else you'll ever meet. The reality of today's world is that businesses and states are partners. In any good partnership, both must be satisfied; companies must receive a marketable return on their investment, and government must receive the good jobs with benefits that its people deserve. That's a good partnership. My administration, our Legislature, our United States Senators Robert C. Byrd and Jay Rockefeller, Congressmen Alan Mollohan and Nick Jo Rahall and Congresswoman Shelley Moore Capito understand that, and, as a result, we are working together to be the best partner you've ever had. Just ask the companies that have chosen to do business with us this past year.

For example, West Virginia's long friendship with Japan, started years ago by Senator Rockefeller, continued to yield economic development results in 2005 as Toyota, Diamond Electric, and A.K. of West Virginia all announced plans to expand.



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In addition, approximately 40 other major companies, including Amazon.com, Essecos, Northrup Grumman, and Prime Woods chose to either locate or expand their operations in West Virginia during 2005 as well, including our very first Australian company, Intelli-Spray. In fact, 8,100 new jobs were created in West Virginia this year with more than \$2 billion dollars of new investments in West Virginia's economy.

These are the types of good paying jobs with healthcare benefits that we're looking for in West Virginia. These are also the types of companies that serve as good corporate neighbors to our state. For example, later this session, Toyota will once again be presenting a new car to West Virginia's Teacher of the Year.

And, there are more good jobs and more good corporate neighbors on the horizon. Talking to the state's business leaders, they see West Virginia experiencing a net gain of thousands more new jobs in 2006 in areas such as manufacturing, chemical operations, oil and gas extraction, nursing, and more.

So, to create a better-trained workforce to attract these new jobs in 2006, we are using our colleges and community colleges in partnership with business and labor to train workers for the specific skills needed in emerging industries. I tell companies all the time—you provide the opportunities, we'll provide the trained workforce.

As an example, WORKFORCE West Virginia is currently coordinating with Shepherd Community and Technical College, the James Rumsey Vocational Education Center, and Sino-Swearingen in Martinsburg to establish a training center directly on Sino-Swearingen's work site to ensure that students are being taught the specific skills that this growing aircraft company needs on site.

I am also pleased to report that West Virginia is one of nine states to be selected to participate in a Southern Governors Association initiative, funded by the Gates Foundation, to promote high school reform and rigorous academic preparation for all students so that they can be prepared for the new good jobs that could, should, and will be in West Virginia. The Governor's Advisory Council on Educational Technology will also continue to work in 2006 to upgrade school technology to ensure that all of our students and teachers—whether they are in a large high school in Martinsburg or a small elementary school in Matewan—have access to the latest educational programs and software.

In addition, West Virginia is only the second state in the country to join the 21st Century Skills Partnership to make certain our high school graduates have the critical thinking and communications skills they need to be successful in the global marketplace.

My administration is also continuing our comprehensive review of the state's tax structure to determine what changes can and should be made to make it easier for our small businesses, the true lifeblood of our economy, to succeed.

Working together, we are changing the perception the world has of West Virginia's economy. We are beginning to see and experience real employment opportunities that will have a lasting impact and provide a concrete reason for our children to stay, work, and live in the Mountain State.

However, as optimistic as I am about the current direction of our economy and our efforts to tie our educational resources to companies' workforce needs, I am also the first to say that there is still much more to be done.

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Job losses and layoffs have taken their toll on many West Virginia families and communities. We, as a state and as a government, will continue to do everything possible to help those affected to reenter our workforce as quickly as possible. I will also continue to hold those companies responsible that have taken tax breaks or incentives from our state without living up to their job creation promises. The days of taking advantage of West Virginia and its citizens are over!

Which brings me to some very significant news: As I just mentioned, in order for our state to attract new businesses and industries, we must have the skilled workforce that today's employers are so desperately seeking. And we must devote our educational resources to the development of that workforce.

To that end, I am pleased to announce that a new technology park will soon be created utilizing part of Dow's South Charleston Technology Park. With the cooperation and coordination of Dow, West Virginia University, WVU Tech, and Marshall University, the current park will soon be transformed into a nationally recognized education, research, and development center. This initiative will also result in the relocation of engineering programs at WVU Tech from Montgomery to the Technology Park, which will then function as a division of WVU's College of Engineering and Mineral Resources. This new park will be a significant part of West Virginia's answer to years of a declining manufacturing base, and several research companies are already interested in locating resources and activities there. In fact, I am happy to report that Battelle Memorial Institute, a world-renowned contract research institute headquartered in Columbus, Ohio, has already committed through collaboration with Dow and the Chemical Alliance Zone, to have a presence at the new Technology Park. Battelle will assign researchers and a manager to the site to conduct research and work with the universities and other organizations on collaborative research and business opportunities.

In addition, as more proof that our economic development efforts are working, in November of last year I was pleased to welcome to West Virginia Chesapeake Energy Corporation, the second largest independent producer of natural gas and the most active driller of new natural gas and oil wells in the United States. Chesapeake is headquartered in Oklahoma City and operates predominantly in Oklahoma, Arkansas, Kansas, Texas, New Mexico, and Louisiana. With its \$3 billion purchase of Appalachian Basin natural gas reserves, Chesapeake will soon begin to aggressively explore and develop clean natural gas wells not only here in West Virginia, but in many other eastern states as well, including Kentucky, Virginia, Ohio, Pennsylvania, and New York.

In December, I traveled to Oklahoma City to meet with Chesapeake's CEO, Aubrey McClendon, and Oklahoma Governor Brad Henry. And I am pleased to report to you that the result of those conversations is a decision by Chesapeake Energy to locate its Eastern United States Division office here in West Virginia.

Chesapeake, which operates its corporate headquarters in a campus-like setting of multiple buildings, will build its Eastern United States headquarters in Charleston, West Virginia. From these headquarters Chesapeake's operations across the Appalachian Basin will be directed. They will aggressively hire geologists, engineers, other energy professionals, and staff as activities increase. The jobs that will be created are high paying, intellectually challenging, and the benefits and career development opportunities are excellent.

And, I have even more good news to announce. I'm pleased to report that this afternoon Appalachian Power filed an application with the Public Service Commission of West Virginia seeking authority to construct a 600-



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megawatt Integrated Gasification Combined Cycle—or IGCC—electric generating unit in West Virginia. The proposed power plant would be located next to the company's Mountaineer Plant near New Haven in Mason County.

This is great news for economic development in the state. As one of the first commercial scale gasification projects, this proposed plant will allow us to lead the nation in the development of clean coal technology for power generation. Plus, gasification technology offers future opportunities to produce clean liquid fuels and chemical feedstock for other industries.

IGCC technology actually combines coal gasification and combined cycle generation. Coal gasification is a process by which coal is used to produce syngas. That syngas is then burned in gas turbines that drive electric generators. The heat produced by the gas turbines is recovered to produce steam to drive a steam turbine that is also coupled to an electric generator—thus the combined cycle term.

IGCC technology allows us to continue using our nation's and the state's coal resources in an environmentally responsible way. With IGCC, we'll have a cleaner environment. An IGCC power plant efficiently reduces and removes sulfur dioxide, nitrogen oxides, particulates, and mercury from plant emissions. IGCC plants also emit less carbon dioxide than pulverized coal plants and offer the opportunity for less costly carbon capture for disposal in deep geologic formations.

Bringing an IGCC plant to West Virginia is part of my overall plan to ensure the future of coal in West Virginia, and Appalachian Power has said it is committed to working with my administration on our Coal Conversion Initiative.

Appalachian Power made this filing for a certificate of public convenience and necessity because it needs new generating capacity to meet its customers' growing demand for electricity. While I understand that they haven't made a final decision to build a plant in West Virginia, I can promise you I'm committed to bringing it here.

While this filing is just the beginning of the permitting process, the fact that AEP has chosen West Virginia for a site of this significance speaks volumes as to the state of our current business climate. The jobs that will come from a project of this type, should it be approved, are of the quality that can have a significant impact upon the entire state. As I said, this isn't just good news—it's great news! AEP has made their commitment to West Virginia clear; it's now up to us to make this proposed partnership work for everyone involved.

It should be clear from these announcements that by working together in a nonpartisan fashion, we've begun to turn the corner in West Virginia towards economic growth and government responsibility.

So what happens next? Well, we will do what the miners of our state do every single day—put on our work clothes, strap on our boots, and move forward.

Millions have watched as we've suffered together this past week, and now they will watch as we continue to grow together—stronger and more determined than ever before. As I have mentioned, we have hope in West Virginia—hope for ourselves, hope for our families, and hope for the future of our state.



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But, for the first time in a long time, our hope has a foundation. And it is that foundation that we will continue to build upon during the next 60 days and beyond as we weave a new story for West Virginia—one of strength, confidence, and, ultimately, success.

And so, it is only fitting as we are surrounded by our friends from the AFL-CIO, West Virginia Chamber of Commerce, West Virginia Education Association, United Mine Workers of America, AARP, the Business and Industry Council, and Vision Shared, that I report to you that the first official sign of West Virginia's progress started going up today on highway borders across our state. It is, to my knowledge, the first of its type in the nation and, as you will see from the beautiful replica to my right, the greeting is quite simple and direct:

“Welcome to West Virginia: Open for Business.”

We are open for business, because business means jobs, and creating good jobs with benefits is my personal responsibility as your Governor.

Thank you, God bless you, let our prayers continue to go out to those who have lost loved ones this year and may God save the great State of West Virginia.

